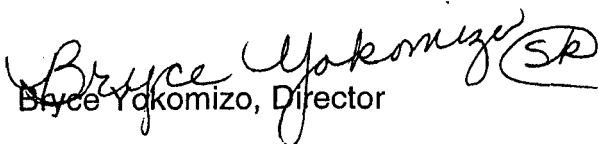


Bryce Yokomizo  
Director

January 29, 2003

TO: Each Supervisor

FROM:  Bryce Yokomizo, Director

SUBJECT: FISCAL REVIEW FOLLOW-UP RECOMMENDATIONS

**Background/Purpose**

The Los Angeles County Audit Committee requested the Department of Public Social Services (DPSS) to provide quarterly progress reports directly to your Board on the implementation of the recommendations contained in the Fiscal Review conducted by the Auditor-Controller in November 2001. When the Los Angeles County Audit Committee met on August 15, 2002, ten of the twenty-two original recommendations were implemented, and twelve recommendations, along with two new recommendations related to Recommendation 8, were still in progress. This is my Department's progress report on the twelve original and the two new pending recommendations.

**Implementation Status**

The twelve pending recommendations from the original DPSS Fiscal Review conducted by the Auditor-Controller and the *New Recommendation 2* are now implemented. The one remaining recommendation, *New Recommendation 1*, enhancing the Inventory Management System, is being evaluated.

Attached is a summary of the recommendations from this review and their current status. I will provide you with another progress report in three months.

BY:aj

Attachment

c: Chief Administrative Officer  
County Counsel  
Auditor-Controller  
Executive Officer, Board of Supervisors  
Audit Committee  
Public Information Office

 FEB 05 2003

ATTACHMENT

**FISCAL REVIEW FOLLOW-UP RECOMMENDATIONS**

**Recommendation 1**

**DPSS management take a more proactive role in its oversight of purchasing functions to ensure that Assets Management Section (AMS) provides the necessary level of control and monitoring to ensure the Department's purchasing functions are operating effectively and in accordance with established policies.**

**Status:** Achieved. The Department has taken a more proactive role in its oversight of purchasing functions. AMS has issued memos to their staff reemphasizing policies already in place. The Bureau of Administrative Services (BAS) Fiscal Compliance Section is assigned the departmental role of monitoring to ensure that the purchasing functions are operating effectively and in accordance with the established policy.

**Recommendation 2**

**The Department instruct procurement staff to compare prices and payment terms for Master Agreements purchases before ordering supplies to ensure the Department gets the best overall price and payment terms.**

**Status:** Achieved. AMS issued an instructional memo to its procurement staff on October 15, 2002, regarding comparative pricing for Master Agreement purchases and the Department getting the best overall price and payment terms.

**Recommendation 3**

**The Department ensure that procurement staff compare invoiced prices to the terms of the vendor agreements and that accounts payable staff review receiving reports/shipping documents, and purchase orders, and that any discrepancies are resolved before processing the vendor payments.**

**Status:** Achieved. AMS issued a memo to its accounts payable staff on September 3, 2002, instructing them of the steps to take before processing payments to vendors.

#### **Recommendation 4**

**The Department ensure that locations that receive equipment directly from vendors send copies of the receiving reports to AMS in a timely manner.**

**Status:** Achieved. Bulletins relative to this recommendation were issued in January 2002 and September 2002. Memos to reinforce this recommendation will be issued department-wide on a quarterly basis.

#### **Recommendation 5**

**The Department ensure that personnel who order goods/services do not have accounts payable duties.**

**Status:** Achieved. Internal controls were enhanced to ensure procurement functions are separated, i.e., personnel who order goods/services do not have accounts payable duties.

#### **Recommendation 6**

**The Department monitor to ensure that corrective action is taken to correct internal control weaknesses identified during the completion of the Internal Control Certification Process (ICCP) questionnaires.**

**Status:** Achieved. The Department's Fiscal Compliance Section monitors the corrective action plans related to internal control weaknesses identified in the ICCP and other reviews. In addition, in May 2002, the Fiscal Compliance Section provided an ICCP training class to more than one hundred DPSS managers on strengthening/correcting internal control weaknesses.

#### **Recommendation 7**

**The Department ensure the recommendations contained in the CAPS On-Line Vendor Payment Review report are effectively implemented and remain implemented.**

##### **CAPS On-Line Recommendation 1**

**DPSS management ensure the accuracy of expenditure accruals by establishing accruals only for goods/services received as of June 30<sup>th</sup>, but not yet paid.**

**Status:** Achieved. The list of expenditures accruals for goods/services received as of June 30, 2002, but not yet paid, was provided to Fiscal Operations during the year-end closing and reconciliation which took place in July 2002.

**CAPS On-Line Recommendation 2**

**DPSS management periodically monitor accruals throughout the year so that, if amounts are over accrued, the remaining unspent balances are cancelled timely.**

**Status:** Achieved. On an ongoing basis, the manager in charge will be monitoring monthly and completing quarterly reports to ensure that if amounts are over accrued, the remaining unspent balances are cancelled timely.

**CAPS On-Line Recommendation 5**

**DPSS management take steps to ensure that staff consistently search the CAPS Vendor Table before making a payment to determine whether the vendor has an existing code.**

**Status:** Achieved. In a memo issued by Assets Management Section management August 30, 2002, staff was again reminded of the proper use of the miscellaneous code versus the appropriate vendor specific code.

**CAPS On Line Recommendation 8**

**DPSS management take the necessary steps to ensure payments are made to vendors within 30 calendar days, as required by CFM 4.3.8.**

**Status:** Achieved. AMS management issued a memo on January 4, 2002, reemphasizing to accounts payable staff that they must follow the existing policy on the prompt and accurate processing of vendor payments. Ongoing, the manager in charge at AMS will monitor the invoice log on a weekly basis to ensure payments are made to vendors within 30 calendar days.

**CAPS On Line Recommendation 9**

**DPSS management ensure that, unless justified, vendor payments are not issued earlier than 30 calendar days from the date of receipt of the goods and services, or receipt of the invoice, whichever occurs later.**

**Status:** Achieved. Guidelines were given by AMS in the memo dated January 4, 2002, relative to this recommendation.

**Recommendation 8**

**The Department ensure accurate perpetual inventory records are maintained.**

**Status:** Achieved. AMS issued an instructional memo to supply inventory staff on September 10, 2002, advising them of the proper way to complete the Inventory Control Worksheet whenever discrepancies are found.

#### **NEW RECOMMENDATION 1**

**DPSS management review the IMS system and correct the programming errors as recommended in our prior audit report.**

**Status:** In progress. AMS has met with OIT to evaluate the IMS system and determine what enhancements can be made.

#### **NEW RECOMMENDATION 2**

**DPSS management review employees' level of access to IMS and ensure only appropriate employees have the ability to make additions or deletions to IMS.**

**Status:** Achieved. AMS management has reviewed and corrected the level of access to IMS, ensuring that only appropriate employees have the ability to make additions or deletions.

#### **Recommendation 9**

**The Department ensure that unsupervised access to the inventory area is restricted to authorized personnel only.**

**Status:** Achieved. The A-C, during the Fiscal Review Follow-up report issued July 12, 2002, found that AMS greatly improved security at the warehouse. They observed a locked door which requires a key card to open from the outside. This feature controls the entrance to the warehouse. AMS requires visitors to sign in and wear visitors' badges.

#### **Recommendation 10**

**The Department instruct warehouse employees to park in the area designated for employee parking and not in the warehouse dock area.**

**Status:** Achieved. During the Fiscal Review Follow-up report issued July 12, 2002, the A-C observed that employees were no longer parking in the warehouse dock area but were parking in the designated employee parking area.

### **Recommendation 11**

**The Department ensure that adequate safety measures are taken to reduce the risk of employee injury.**

**Status:** Achieved. The A-C also noted in the Fiscal Review Follow-up report issued July 12, 2002, that several safety measures were now visibly noticeable. For example, new heavy duty racks were installed throughout the warehouse, forklift training has been provided to employees and signs installed throughout the building reminding employees of the importance of safety.

### **Recommendation 12**

**The Department develop and maintain a fixed asset listing that identifies the unit/location of all fixed assets and conduct an annual inventory of its fixed assets.**

**Status:** Achieved. AMS issued a memo to all office heads on October 1, 2002 with instructions for completing the Annual Equipment Inventory listing with instructions for and examples of Equipment Reconciliation, Portable Equipment Log, Equipment Location Change, Budget Facility and Equipment Code Sheets and Additions to Inventory Forms.

### **Recommendation 13**

**The Department maintain a department-wide computer inventory listing that identifies the individuals assigned specific computer equipment.**

**Status:** Achieved. A database is in operation that maintains a complete inventory. During a follow-up review conducted by the DPSS Financial Management Division (FMD), FMD verified that the new listing is in place with the required information.

### **Recommendation 14**

**The Department develop specific policies that address assigning computer equipment to non-County (Contract) employees. The policies should include the requirement to justify the reason for providing non-county employees with County-owned equipment and procedures to document/account for specific items being assigned to the non-county employees.**

**Status:** Achieved. The A-C found during the Fiscal Review Follow-up report issued July 12, 2002, that this recommendation is implemented. OIT maintains a User Policy Form for all non-County employees. All Contractors must sign this form to safeguard the equipment and return the equipment to a County representative when leaving County service.

#### **Recommendation 15**

**The Department require specific detailed written justification for home use of DPSS owned computer equipment.**

**Status:** Achieved. The A-C also found during the Fiscal Review Follow-up report issued July 12, 2002, that this recommendation is implemented. OIT issued a directive in January 2002, requiring users throughout the Department to submit a detailed justification for continuing home-use of DPSS-owned computer equipment.

#### **Recommendation 16**

**The Department reconcile the Travel Agent billing statements to the approved travel requests.**

**Status:** Achieved. During the Fiscal Review Follow-up report issued July 12, 2002, and subsequent testing, the A-C found this recommendation to be implemented.

#### **Recommendation 17**

**The Department ensure that revolving fund custodians do not have other cash handling responsibilities.**

**Status:** Achieved. During the Fiscal Review Follow-up report issued July 12, 2002, and the A-C's test work, the A-C found that primary and secondary custodians do not have any other cash handling responsibilities. This recommendation is implemented.

#### **Recommendation 18**

**The Department establish procedures requiring bid evaluators to meet and discuss their evaluations prior to awarding a contract.**

**Status:** Achieved. During the Fiscal Review Follow-up report issued July 12, 2002, the A-C found that this recommendation is implemented. DPSS management issued Contract Memo #01-18 on December 24, 2001, outlining the competitive bid process.